

National Credit Union Share Insurance Fund Investment Policy

The purpose of this statement is to provide mandatory rules and specific guidelines for investments of the National Credit Union Share Insurance Fund (NCUSIF). The policy is set forth in the following sections:

- I. Statutory Authority
- II. Policies and Objectives
- III. Responsibilities of Investment Committee
- IV. Responsibility to Implement Policies
- V. Types of Investments
- VI. Investment Strategy
- VII. Reporting Requirements
- VIII. Internal Controls

I. Statutory Authority

NCUSIF investment authority is derived from Title II, Section 203 of the Federal Credit Union Act. This section authorizes the Secretary of the Treasury, upon request of the NCUA Board, to invest and reinvest such portions of the Fund not required for current operations, as determined by the NCUA Board.

II. Policies and Objectives

The responsibility to establish investment policies and objectives rests with the NCUA Board. The investment objectives of the NCUSIF are:

- 1. To meet liquidity needs resulting from the operations of the Fund; and
- 2. To invest, on a daily basis, any excess cash in authorized Treasury investments seeking to maximize yield.

III. Responsibilities of Investment Committee

The Investment Committee is responsible for developing the investment strategy necessary to implement the policies and objectives established by the NCUA Board. The committee will meet at least quarterly to review cash flow projections, to discuss interest rate movements and forecasts, and to make changes to the investment strategy, if appropriate.

The Investment Committee is composed of the following positions (or equivalent successor positions):

- Director, Office of Examination and Insurance
- Chief Financial Officer
- Director, Office of Capital Markets
- Director, Office of the Chief Economist

The Investment Committee will utilize NCUA staff and/or outside experts to provide advice, as necessary.

IV. Responsibility to Implement Policies – Delegation of Authority

The responsibility to implement policies will be delegated to:

Individual	Responsibility
Director, Office of Examination and Insurance	<p>Overall management of NCUSIF activities and operations, including the maintenance of the contingent liability for losses on insured credit unions.</p> <p>Serves as chairman of the committee.</p> <p>Establish and maintain written procedures for the operation of the investment program.</p> <p>Establish and maintain written procedures for the maintenance of the contingent liability for losses on insured credit unions.</p>
Chief Financial Officer	<p>Monitor Treasury market conditions.</p> <p>Review the accuracy of the daily cash report.</p> <p>Develop annual projections of changes in NCUSIF.</p> <p>Instruct the Treasury Department on investment placements.</p> <p>Prepare monthly NCUSIF Report containing investment performance data.</p>
Director, Office of Capital	<p>Monitor investment/capital market conditions.</p> <p>Evaluate and recommend changes to the NCUSIF investment strategy.</p> <p>Provide expert investment and portfolio management information at NCUSIF Investment Committee meetings.</p>
Director, Office of the Chief Economist	<p>Monitor key economic indicators</p> <p>Evaluate fiscal and monetary policy issues</p> <p>Provide expert economic information at NCUSIF Investment Committee meetings.</p>

V. Types of Investments

By law, the NCUSIF is permitted to invest its surplus cash only in interest-bearing securities of the United States or in any securities guaranteed as to both principal and interest by the United States or in bonds or other obligations which are lawful investments for fiduciary, trust, and public funds of the United States. 12 U.S.C. 1783(c). By Treasury Department policy, all securities must be purchased through the non-marketable Government Account Series (GAS) program administered by the U.S. Treasury Bureau of Public Debt.

The Investment Committee is authorized to purchase any securities sold through the GAS program, consistent with the investment strategy with the following constraints:

- Maximum maturity of 10 years.
- No more than 25 percent of the fund may have maturities longer than 5 years.
- The fund is limited to investing in non-callable Treasury Bills, Notes and Bonds. Additionally, the fund may also invest in the U.S. Treasury's overnight option.

VI. Investment Strategy

The Treasury Department policy is that federal investors should not restructure their portfolios in order to take advantage of actual or projected market conditions. Furthermore, the Treasury Department policy states that an agency should practice a "buy and hold" policy when developing the investment strategy. In consideration of the Treasury Department policy, the NCUSIF will limit its investment activities to overnight securities and maturity ladders determined by the Investment Committee. The strategy must provide for sufficient liquid funds to meet operating costs and historical and/or projected credit union failures.

VII. Reporting Requirements

Management review of the performance of the investment portfolio is necessary to evaluate the effectiveness of the strategy in meeting the objectives and policies established by the NCUA Board. Monthly reports will be prepared by the Chief Financial Officer. These reports will include the following investment information, at a minimum:

- Book value vs. market value
- Yield on the securities
- Comparative yield information
- Maturity schedule

- Listing of new investments

Summary investment performance information will be included in the NCUSIF's monthly financial statements presented to the NCUA Board and made available to the public.

VIII. Internal Controls

A system of internal controls will be maintained to promote efficiency and safeguard the assets of the NCUSIF. A separation of duties between investment authorization and the record keeping function will be maintained.